REMARKS

Claims 1-35 and 46-47 have been canceled. Claims 36-37 and 43-45 have been amended. Claims 48-60 have been added as new claims, support for which may be found throughout the specification and drawings of the application as originally filed. Upon entry of the amendments, Claims 36-45 and 48-60 will be pending in the present application. Based on at least the reasons set forth below, applicants respectfully request allowance of the pending claims.

Requirement for Information Under 37 CFR 1.105

Applicants have not personally authored or co-authored any publications that describe the subject matter discussed in the application. At least two publications, however, have been authored pertaining to the invention described in the application. These publications include: 1) Prospectus Pursuant to Rule 424(b)(2), by Wells Fargo & Company, File No. 333-105939, Dec. 2, 2004 (Exhibit A); and 2) "Wells Fargo Convertible Bonds," Malcom Baker, Harvard Business School, March 11, 2006 (Exhibit B). Copies of those publications are included herewith.

Section 112 Rejections

In the Office Action, claims 1-34 and 45-47 were rejected under 35 U.S.C. §112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicants regard as their invention. Claims 1-34 and 46-47 have been canceled and Claim 45 has been amended to address the examiner's the rejections under 35 U.S.C. §112, second paragraph. The new claims do not have the wording objected-to by the examiner.

Section 101 Rejections

In the Office Action, claims 1-34 were rejected under 35 U.S.C. §101 as being directed to non-statutory subject matter. Claims 1-34 have been canceled thus rendering the rejections under 35 U.S.C. §101 moot.

Section 103 Rejections

Claims 1-4, 6, 13-14, 27, 30-31, 34-36 and 43-44 were rejected under 35 U.S.C. §103(a) as obvious in view of a proposed combination of published U.S. patent application Pub. No. 2002/0130941 to Birle, Jr. et al. and published U.S. patent application Pub. No. 2004/0033674 to Jones et al. Claims 1-35 and 46-47 have been canceled, and Claims 36 and 43-44 have been amended such that Claims 36-45 depend, either directly or indirectly, from new Claim 48. New Claim 48 is not obvious in view of Birle and Jones for the reason set forth below.

Claim 48 recites a method comprising the steps of:

> issuing a convertible security by an issuer to a holder, wherein the convertible security comprises:
>
> a maturity term;
>
> an exchange provision providing that the holder is entitled to exchange the convertible security for another asset under certain conditions;
>
> a contingent payment provision that provides that the holder is entitled to a contingent payment upon the occurrence of one or more specified conditions; and
>
> a remarketing provision that provides that the convertible security may be remarketed to new investors under certain conditions; and
>
> wherein the convertible security does not have any put provisions; and
>
> remarketing, at a remarketing time, the convertible security to one or more new investors, wherein, after the remarketing time,

> the convertible security remains outstanding and potential recapture of excess tax benefits is postponed until the convertible security ceases to be outstanding.

Birle discloses a convertible security, but not one that is remarketable. Birle's convertible security is also putable. Jones discloses a unit that comprises a forward contract and a note. The note may include straight debt, convertible debt, preferred stock, convertible preferred stock, trust preferred and convertible trust preferred. Jones further discloses that the note may be remarketed. The proposed combination of Birle and Jones teaches away from the invention of Claim 48 because the combination would include a putable convertible security as taught in Birle. As recited in Birle, at paragraph 51:

> At step 108, the method determines whether the holder decided to "put" the security. If yes, the method, at step 109, computes the put value. As is well known in the art, a "put" is an option that gives the holder the right to sell a certain quantity of an underlying security to the writer of the option, at a specified price (called a "strike price") up to a specified date (called the "expiration date").

Because Birle requires a putable convertible security, it teaches away from the present invention. According to the Supreme Court, "[w]hen the prior art <u>teaches away</u> from combining certain known elements, discovery of successful means of combining them is more likely to be nonobvious." *KSR International Co. v. Teleflex Inc.*, 82 U.S.P.Q.2d 1385, 1395 (2007)(emphasis added). The combination of Birle with Jones would result in a convertible security where the holder of the convertible security has the option to put the security. If the option were put, recapture of excess tax benefits would not be postponable until maturity. Moreover, removing the put from Birle would change the nature of Birle's invention. The put provision of Birle increases the value of the convertible security to a holder of the security by allowing the holder to have flexibility in determining whether to put the security.

For at least this reason, Claim 48 is not obvious. For analogous reasons, Claims 49 and 60 are also not obvious because they include similar claim language. Therefore, Claims 48-49 and 60, and their respective dependent claims are not obvious in view of the cited references.

Secondary Considerations of Non-Obviousness

The claims of the present application are also non-obvious given the numerous secondary considerations of non-obviousness. According to the Office guidelines for determining obviousness, "Office personnel should consider all rebuttal evidence that is timely presented by the applicants when reevaluating any obviousness determination." *Examination Guidelines for Determining Obviousness Under 35 U.S.C. 103*, 72 Fed. Reg. 57,526 at ¶ V. (Oct. 10, 2007). "Rebuttal evidence may include evidence of 'secondary considerations,' such as 'commercial success, long felt but unsolved needs, [and] failure of others.'" *Id.* (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)).

Here, as mentioned above, aspects of the invention of the present application were the subject of a Harvard Business School ("HBS") case study. *See* Exhibit B. The case study explains how Wells Fargo & Company used the present invention to issue $3 billion in remarketable convertible securities in 2003. The case study makes clear that the claimed inventions are non-obvious for several reasons, including:

First, the mere fact that the invention of the present application was the subject of a HBS case study is evidence of the non-obviousness of the invention. As a general proposition, professors at elite business schools like HBS did not spend time teaching their students about obvious business innovations. The fact that faculty members at HBS found the invention of the present application worthy enough for a case study demonstrates the non-obviousness of the invention.

Second, the process by which the CFO at Wells Fargo decided to pursue the offering using the present invention, as described in the HBS case study, makes clear that the invention is nonobvious. The CFO brought in a number of investment bankers to create an offering structure that suited Wells Fargo's needs. Quoting Howard Atkins, CGO of Wells Fargo, the case study states:

> Within the last four or five months, a number of investment banks approached us, pitching convertible debt. Each of the banks presented a slightly different form for the proposed transaction. I was intrigued and took some time to understand the quirky tax and accounting issues associated with convertibles. As the dealers called me to tell me investors were screaming for the deal, I did something I'm told is very unusual. I got three of the firms – Merrill Lynch, Morgan Stanley, and Goldman Sachs – in a room at the same time. I said, "Guess what. The three of you are sitting in this room with me and my people and we're not leaving until we come up with the terms that would make the most sense for Wells Fargo."

See Exhibit B at pg. 4.

Based on this recounting of how the offering was arrived at, it is clear that the claimed inventions were not obvious to the representative of the three investment banks prior to that meeting. According to Atkins, the firms had offered proposals that were different from the claimed inventions. If the invention were as obvious as the Office Action asserts, there would have been no need for the CFO to gather all of the investment bankers and hold them captive until a solution was determined; the CFO or the investment bankers would have been able to come up with the offering structure immediately. However, that did not happen, and the fact that it did not happen demonstrates the nonobviousness of the invention.

Third, the claimed inventions have found commercial success. The present invention was used by Wells Fargo to offer $3.0 billion of floating rate convertible senior debentures. This $3.0 billion offering was significantly larger (6 to 30 times) than a typical convertible debt

offering, which, prior to the Wells Fargo offering, ranged from between $100 million to $500 million. *See* Exhibit B at pg. 6. If the invention were so obvious, it would have been used previously to raise such large amounts of capital.

Fourth, the invention produced numerous unexpected results, including: (i) it produced at offering that was 6 to 30 times greater than typical convertible debt offerings, as mentioned above; and (ii) the offering pursuant to the claims of the present application provided a low cost source of funding that would not have been possible with conventional convertible debt offerings. *See* Exhibit B. at 6.

Fifth, the co-authors of the case study, which included one faculty member at HBS (Malcolm Baker), recognized the uniqueness of the claimed inventions in the case study. In the case study, the authors state "[g]iven the ***unique*** structure of the proposed convertible, [Howard] Atkins [,chief financial officer of Wells Fargo & Company] and his investment banking team expected it would take a few weeks to draft the legal documents." *See* Exhibit B. at 6 (emphasis added). The fact that a professor at HBS considered the structure unique is evidence of the nonobviousness of the invention.

For at least these reasons, applications submit that the pending claims are not obvious in view of the cited references.

CONCLUSION

Applicants respectfully submit that all of the claims presented in the present application are in condition for allowance. Applicants present response should not in any way be taken as acquiescence to any of the specific assertions, statements, etc., presented in the Office Action not explicitly addressed herein. Applicants reserve the right to address specifically all such

assertions and statements in subsequent responses. Applicants also reserve the right to seek claims of a broader or different scope in a continuation application.

Applicants have made a diligent effort to properly respond to the Office Action and believe that the claims are in condition for allowance. If the Examiner has any remaining concerns, the Examiner is invited to contact the undersigned at the telephone number set forth below so that such concerns may be expeditiously addressed.

Respectfully submitted,

Date: January 16, 2008

Mark G. Knedeisen
Reg. No. 42,747

KIRKPATRICK & LOCKHART PRESTON GATES ELLIS, LLP
Henry W. Oliver Building
535 Smithfield Street
Pittsburgh, Pennsylvania 15222
Ph. (412) 355-6342
Fax (412) 355-6501